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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL	
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FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2005 AND ENDING December 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Dunes Securities Corporation

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

6 Queens folly road

(No. and Street)

Hilton Head Island, SC 29928

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Edward B. Dwaschinski 843-671-5755

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Cherry, Bekaert & Holland, L.L.P.

(Name - if individual, state last, first, middle name)

PO Box 5667

(Address)

Hilton Head Island, SC 29938

(City, State, and Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions

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SECURITIES AND EXCHANGE COMMISSION
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FOR OFFICIAL USE ONLY

02 EXAMINATIONS

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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OATH OR AFFIRMATION

I, Edward B. Dwaschinski, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dunes Securities Corporation as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

President

Title


Notary Public

MY COMMISSION EXPIRES SEPT. 23, 2013

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

DUNES SECURITIES CORPORATION

Financial Statements
for the year ended
December 31, 2005

DUNES SECURITIES CORPORATION

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Report of Independent Certified Public Accountants

The Board of Directors
Dunes Securities Corporation
Hilton Head Island, South Carolina

We have audited the accompanying balance sheet of Dunes Securities Incorporated as of December 31, 2005 and the related statements of income, changes in stockholders' equity, changes in retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Dunes Securities Incorporated, as of December 31, 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cherry Bekaert & Holland L.L.P.

Hilton Head Island, South Carolina
February 28, 2006

DUNES SECURITIES CORPORATION**Balance Sheet****December 31, 2005****Assets**

Cash-unrestricted	\$ 38,311
Unamortized organization costs	<u>1,879</u>
Total assets	<u>\$ 40,190</u>

Stockholder's equity

Common stock, no par value, authorized 100,000 shares, issued and outstanding 25,000 shares	\$ 25,000
Additional paid in capital	6,160
Retained earnings	<u>9,030</u>
Total stockholder's equity	<u>\$ 40,190</u>

See notes to financial statements.

DUNES SECURITIES CORPORATION**Statements of Income****For the year ended December 31, 2005**

Revenues	\$ 37,000
Expenses	
Bank charges	1,250
Commissions and fees	18,500
Insurance	369
Regulatory fees and assessments	1,335
Office expenses	600
Taxes	104
Rent	600
Amortization	626
Other	400
Total expenses	<u>23,784</u>
Net income	\$ <u>13,216</u>

See notes to financial statements.

DUNES SECURITIES CORPORATION**Statement of Changes in Stockholders' Equity**

For the year ended December 31, 2005

	Number Of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)
Balance at January 1, 2005	25,000	\$ 25,000	\$ 6,160	\$ (4,186)
Net income	-	-	-	13,216
Balance at December 31, 2005	<u>25,000</u>	<u>\$ 25,000</u>	<u>\$ 6,160</u>	<u>\$ 9,030</u>

See notes to financial statements.

DUNES SECURITIES CORPORATION**Statements of Cash Flows****For the year ended December 31, 2005**

Cash flow from operating activities:	
Net income	\$ 13,216
Adjustments to reconcile net income to net cash provided by operating activities	
Amortization	626
Changes in assets and liabilities	
Prepaid expenses	400
Deposit payable	<u>(5,000)</u>
Net cash flow provided by operating activities	<u>9,242</u>
Net increase in cash	9,242
Cash and cash equivalents at beginning of year	<u>29,069</u>
Cash and cash equivalents at end of year	<u>\$ 38,311</u>

See notes to financial statements.

DUNES SECURITIES CORPORATION**Notes to Financial Statements**

December 31, 2005

Note 1-Organization

Dunes Securities Corporation (the "Company") is a registered securities broker/dealer primarily engaged as agent for buyers and sellers of Hilton Oceanfront Resort Condominium units with all proceeds of sale or purchase deposited or paid from an escrow account maintained by Regions Bank as fiduciary agent/custodian. The Company is a member of the National Association of Securities Dealers, Inc. (the "NASD").

Note 2-Summary of significant accounting policies**Commission income**

Commission income is recorded when transactions are completed and funds are distributed at the closing of the respective condominium unit

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and cash equivalents and concentration of credit risks

The Corporation considers its investments with an original maturity of three months or less to be cash equivalents. The Corporation maintains its cash in bank deposit accounts which, at times, may exceed FDIC insurance limits. Restricted cash balances represent amounts held as refundable deposits, cash for future major repairs and replacements, and other amounts held in escrow.

Income taxes

The Company has elected to be taxed under Subchapter "S" of the Internal revenue code. As such, the taxable income or loss is passed through directly to the shareholders. Accordingly, there is no income tax provision or benefit recorded in the accompanying financial statements.

DUNES SECURITIES CORPORATION**Notes to Financial Statements**

December 31, 2005

Note 3-Regulatory Matters

As a broker dealer, the Company is subject to the minimum net capital requirements adopted and administered by the Securities and Exchange Commission ("SEC"). At December 31, 2005, the Company had net capital, as defined by the SEC, of \$38,311.

The Company has established an escrow account in the form suggested by the SEC and fully expects to maintain capital in excess of the \$5,000 capital required under rule 15c3-1 to qualify it for the exemption from rule 15c3-3.

DUNES SECURITIES CORPORATION**Computation of Net Capital, Per Uniform Capital Rule**

December 31, 2005

Computation of Net Capital**Credits**

Total stockholder's equity \$ 40,190

DebitsUnamortized organization costs (1,879)

Net capital before haircuts 38,311

Haircuts -

Net capital 38,311

Computation of Basic Net Capital RequirementsNet capital requirement \$ 5,000

Capital Deficiency 33,311

Ten percent of aggregate indebtedness -Net Capital Deficiency \$ 33,311

DUNES SECURITIES CORPORATION**Reconciliation of The Focus Report To Stockholder's Equity**

December 31, 2005

Stockholder's Equity	
Per the unaudited Focus Report	\$ 40,190
Reconciling items	<u>-</u>
Per the audited financial statements	<u>\$ 40,190</u>



Independent Accountant's Report On Internal Control Structure

The Board of Directors
Dunes Securities Corporation
Hilton Head Island, South Carolina

In planning and performing our *audit of the financial statements* of Dunes Securities Corporation for the year ended December 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Dunes Securities Corporation that we consider relevant to the objectives stated in Rule 17a-5(g)(1) in making the periodic computations of aggregated indebtedness and net capital under Rule 17a-3(a)(11) and in complying with the condition of exemption from Rule 15c-3-3. We did not review the practices and procedures followed by the Company in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board for Governors of the Federal reserve System, because the Company does not carry security accounts for customers.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and the practice and procedures referred to in the preceding paragraph and to assess whether those *practices and procedures* can be expected to achieve the Commission's above mentioned objectives.

Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g)(1) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of the inherent limitations in any internal control structure, errors or fraud may nevertheless occur and not be detected. Also, projection of any assessment of the internal control structure to future periods is subject to the risk that policies or procedures may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Security Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practice and procedures were adequate at December 31, 2005 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Security Dealers, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Cheryl Becker-Holland C.C.P.

Hilton Head Island, South Carolina
February 28, 2006